PROGRAM REVIEW

SMALL BUSINESS FOREST ENTERPRISE PROGRAM

WOODLOT PROGRAM

DAVID W. GILLESPIE
JANUARY, 1991

Small Business Forest Enterprise Program
Woodlot Program

Letter of Transmittal

January 24th, 1991

The Honourable Claude Richmond
Minister of Forests
Parliament Buildings
Victoria, B.C.

Dear Mr. Richmond:

It is my pleasure to transmit my report on the Small Business Forest Enterprise Program and the Woodlot Program as commissioned by you in September of 1990.

Respectfully yours,

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A Review of the Small Business Forest Enterprise Program and Woodlot Program

Report to the Minister of Forests

Acknowledgements

The completion of this review is due to a great number of people. The contributors of written submissions and oral submissions, the countless people who spent their valuable time showing me their facilities and operations, those who attended meetings, the Forest Service personnel who assisted on the "tour" and provided information and insight upon request - to all those people, companies and organizations I offer my most sincere thanks.

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Preface

The forest industry in British Columbia is, from an economic point of view, the dominant industry in the province. The impact of the forest industry on government revenues, directly and indirectly, is enormous and the future development of this province will undoubtedly be closely linked to the health of the industry.

The Small Business Forest Enterprise Program (SBFEP) is a major factor in the forest industry. The SBFEP is in effect the single largest licensee in the province and the only truly competitive program for the sale of standing timber by the Crown. The significance of this program together with the Woodlot Program, although much smaller in scale, should not be underestimated.

My appointment to review the SBFEP and certain aspects of the Woodlot Program is a direct result of concerns expressed to government from within the industry and from the public at large. In addition to the economic matters one must be cognizant of the growing public awareness of the need for good forest management. In this report I have attempted to identify the main issues relating to the two programs under review, to assess those issues on the basis of the information received and in some cases to make recommendations to government to address specific problems. The issues dealt with in this review are broad and often very complex. The scope and time frame for the review did not allow for detailed analysis on many of the issues but it is my sincere hope that the review will provide some positive direction and will assist government to improve the programs.

List of appendices

1. Terms of Reference
2. List of Contributors of Written Submissions

Program Review

Executive summary

In September 1990 the Honourable Claude Richmond, Minister of Forests, appointed me to review the Small Business Forest Enterprise Program and aspects of the Woodlot Program and to make recommendations to government. On the basis of a large number of meetings held throughout the province and approximately 200 written submissions I have reached certain conclusions and offer a number of recommendations to government. Before summarizing the conclusions and recommendations contained in the report a brief description of each of the programs follows.

Small Business Forest Enterprise Program (SBFEP)

Through this program the Ministry of Forests sells Crown timber by way of competition to registrants in the program and the program is in effect the single largest licensee in the province. Over the life of the program which effectively began in 1980 the stumpage alone received by the province has exceeded $500 million. Approximately 12 1/2% of the provincial allowable annual cut (AAC) is sold through the SBFEP. Approximately 2800 individuals and firms are registered in the SBFEP, from across the logging, small sawmilling and the value-added or remanufacturing sectors.

The SBFEP is self-financing by way of the Small Business Forest Enterprise Account. Revenue in excess of expenditures and future reforestation costs, which is substantial, is returned annually to the province's general fund. The objectives of the SBFEP in short are: to provide business opportunities, stimulate the production of value-added forest products and through competition provide a fair return to the province.

Woodlot Program

The Woodlot Program was initiated in 1979 and provides for the issuance of a license to individuals or organizations who qualify to manage specific areas of Crown land, sometimes in conjunction with private land owned by the licensee. Approximately 460 woodlot licenses are in existence throughout the province but no significant expansion in the program has taken place over the last two years due to a lack of manpower and resources within the Forest Service.

The AAC apportioned presently to the Woodlot Program is 0.7% of the provincial total. In most areas of the province there is a strong demand from potential licensees for an expansion of this program as it is one of the only methods by which individuals can become more involved in forest management.

Summary of recommendations and conclusions: SBFEP

1. The overall objectives of the SBFEP are for the most part being achieved but some refinement of the objectives is required. Although the objective to encourage entry into the forest industry is laudable, efforts should be made to direct such entry to the remanufacturing or value- added sector only and not to the sawmilling or primary breakdown sector. The contributions of existing firms and individuals must be recognized and efforts made to sustain them.

   An additional objective should be added - that being *the promotion of improved forest management through the auspices of the SBFEP.*

2. There should be no major changes made in the apportionment of AAC within the SBFEP. Steps should be taken in some areas of the province to assist Category II (small sawmills) in the form of increased timber sales and sales with longer terms. Efforts should be made through the special Bid Proposal Sales to improve the relationship between small sawmills and the remanufacturing segment of the industry.

   The request for "quota" by Category II registrants should be refused.

3. There should not be any changes made to the entry criteria for the SBFEP. Bad practices and abuses should be controlled by improved enforcement by the Forest Service rather than entry criteria.

4. The Forest Service should continue their efforts to ensure that the quality of timber sold under the SBFEP is comparable to that harvested by the major licensees. I conclude that those efforts to date have for the most part been successful.

5. "Surrogate Bidding" although roundly condemned by the majority of SBFEP registrants is in my opinion something which cannot be effectively curbed or eliminated by legislation or government policy.

6. The Forest Service should continue the system of selling timber by sealed bids as opposed to open auctions. Direct sales of timber should be restricted to salvage sales as per present Forest Service policy.

7. The Forest Service should review the salvage sale policy to determine if appreciable amounts of wood are being lost due to administrative delays and/or inconsistent applications of the policy.
8. The Bid Proposal Sales should be continued but a further study and economic analysis of the remanufacturing industry within the province should be conducted to determine how government may best encourage this industry. Attempts should be made to make the Bid Proposal Sales more responsive to local needs and existing operations. More flexibility re log-trading is needed to assist remanufacturers.
9. The deposit policy on timber sales within the SBFEP should be restructured to provide a maximum amount of deposit in cases where a registrant holds more than one timber sale at a time. Bonding for SBFEP registrants should not become a requirement for entry.
10. The government should provide additional manpower and resources to the Forest Service to allow them to upgrade the level of administration for the SBFEP, particularly as it relates to planning and enforcement of legislation and policy.
11. The suggestion that the SBFEP should be separated from the Forest Service and operated as a separate agency is rejected. Another level of bureaucracy would be created and no benefits would be attained.

Summary of recommendations and conclusions: Woodlot Program

1. The Woodlot Program should be expanded but expansion should be on the basis of demand, suitability of sites, and Forest Service ability to administer the program at an acceptable level. Expansion should proceed after the receipt of an assessment from each District, the completion of any policy changes required, and the provision by government of the necessary manpower and resources required by the Forest Service. Expansion will not likely be uniform throughout the province as some areas will be much more suitable for expansion than others.
2. The Forest Service should conduct a study to determine if the Woodlot Program could be adapted, or whether a new program could be instituted, to bring existing non-productive forest lands into production. This would include NSR Land (Non Satisfactorily Restocked Land), private land already logged, and land logged pursuant to the Agricultural Lease Program of the Ministry of Crown Lands but on which agricultural production has not taken place.
3. Extension services for the Woodlot Program should be provided partially by the Forest Service and partially by the private sector including Woodlot Associations and other groups of licensees. Basic information and education for Woodlot Licensees should be provided by the Forest Service but the management of individual licenses must remain the responsibility of each licensee. A detailed extension services policy should be implemented by the Forest Service at the earliest possible time.
4. Woodlot Licenses should be removed from the major licensee category in the *Forest Act*. This proposed streamlining of the regulatory procedures should be a benefit to both licensee and the Forest Service.

Introduction and background

Review purpose and scope

In September of 1990 the Honourable Claude Richmond, Minister of Forests for the Province of British Columbia appointed me to review the province's Small Business Forest Enterprise Program (SBFEP) and Woodlot Program.

The main purposes of the review were to assess the two programs to determine if they were meeting the government's objectives and the appropriateness of the allowable annual cut (AAC) and its allocation among various groups.

The Terms of Reference for the review determined the goals of the review and the basic process by which it would be carried out. The Minister indicated that an independent review was essential due to numerous requests from small businessmen, sawmillers, remanufacturers and loggers for a greater share of the small business timber harvest.

The report is divided into two distinct parts with the first dealing with the SBFEP and the second with the Woodlot Program. As to the SBFEP the specific goals of the review were to:

1. Review, evaluate and make recommendations on:
   a. the overall effectiveness of the program; and
   b. the appropriateness of the apportionment of the program's allowable annual cut in achieving the objectives of the SBFEP.
2. Review, evaluate, and, if warranted, recommend changes to the objectives of the SBFEP.
3. Review and compare the quality of timber sold under the program with the timber harvested by major licensees.
4. Investigate and make recommendations on any other matters related to the SBFEP, except the policies and procedures for Bid Proposal Sales. A committee is examining this area and will report to the Minister in the near future.

For the Woodlot Program the specific goals were to:

1. Review, evaluate and make recommendations on:
   a. the allowable annual cut and whether it should be increased.
2. Review, evaluate and make recommendations on:
   a. extension services to woodlot licenses and how such a service can most effectively be implemented.

The complete Terms of Reference are contained in Appendix "1" to this report.

The review process

On September 24th, 1990 the Minister of Forests, The Honourable Claude Richmond sent by mail to all registrants in the SBFEP and to all Woodlot Licensees a letter informing them of the Review and including a copy of the press release and a full copy of the Terms of Reference.

As virtually all segments of the forest industry are impacted by the SBFEP and/or the Woodlot Program I was not surprised to be contacted by many non-registrants and non-licensees as well. During October and November I met with as many individuals, associations and companies as time would allow and had countless telephone consultations with persons wishing to have input in the review. In addition I travelled to various parts of the province to view forestry operations and facilities and to speak with loggers, logging contractors, small sawmillers, log home builders, remanufacturers, bid proposal operators, woodlot licensees, major licensees, Forest Service personnel in a number of Regions and Districts, and representatives of many associations.

A large number of written submissions were received and a list of the contributors is attached as Appendix "2".

I have not attempted to name those with whom I met or had telephone conversations as they were too numerous. If I have missed acknowledging any written submissions in my haste to complete the report, I apologize. Some had no return address and some had signatures which were difficult to read. I have not indicated which program the written submissions related to as a great many of them addressed both programs. I can assure everyone who made a written submission that each one was read carefully by me and thoughtfully considered in reaching the conclusions and recommendations contained in this report.

In addition I received excellent cooperation from Forest Service personnel from the Victoria Headquarters, the Regions and the Districts and was provided by them with all information which I had requested.

Definitions and abbreviations

The following list explains abbreviations used in the report and defines in simple terms some of the words and phrases used throughout the report. These definitions are not intended to be anything more than a guide for those persons reading the report who may not be familiar with the forest industry or the programs being reviewed.

AAC - Allowable Annual Cut

SBFEP - Small Business Forest Enterprise Program

Forest Service - Provincial Ministry of Forests

Region - the province is divided into 6 regions by the Ministry of Forests.

District - there are 43 districts within the 6 regions.

Category I - the logging category of the SBFEP consisting of loggers and logging contractors who meet the registration criteria.

Category II - the small sawmilling and/or remanufacturing category of the SBFEP being a person or corporation who owns or leases a timber processing facility.

Major Licensee - a large sawmill company, or integrated company (sawmilling, remanufacturing, pulp mill) having a timber tenure by way of tree farm license, forest license, timber license, etc.

Bid Proposal Sale - a timber sale made pursuant to Section 16.1 of the *Forest Act* where the bidders must show that value will be added to the timber by some remanufacturing process.

Timber Processing Facility - a facility that processes timber or wood residue or products produced from timber or wood residue or both.

Minister - the Minister of Forests

M3 - cubic meter of wood

TSA - Timber Supply Area

Small Business Forest Enterprise Program

History and current status of program

The Forest Service, through the SBFEP, sells crown timber to those individuals and corporations who are registered in the program. The program was effectively begun in 1980 as a result of recommendations in the Pearse Royal Commission Report of 1976. The Commission had recommended that the industry should have a mix of firms of varying size and integration and that there should be opportunities for new entrants. As a result changes were made to the *Forest Act* to allow for timber sales to be sold to small business enterprises and Regulations by Order in Council established the two categories which would comprise the SBFEP.

In 1988 the following major changes were made in the program:

a. The AAC apportioned to the program was increased when 5% of the AAC of the major licensees was taken from them and added to the SBFEP;

b. Registration requirements were eased - e.g. one year logging experience only required for Category I;

c. The Small Business Forest Enterprise Account was established so that the program would be self-financing;

d. Section 16.1 of the *Forest Act* was enacted to encourage an expansion in the production of remanufactured and specialty products. The AAC recovery referred to in paragraph (a) hereof was ear-marked for this venture and the sales pursuant to that section are known as Bid Proposal Sales. Bid Proposal Sales now make up approximately 1/3rd of the SBFEP timber allocation.

Since the creation of the Small business Forest Enterprise Account all revenues from small business timber sales - upset stumpage, bonus bids, annual rent, scaling fees, registration fees, etc. - are credited to the account. All program costs - timber cruising, road building, basic silviculture, administration and protection, etc. are debited to the account.

Under the program the Ministry assumes responsibility for construction of forest roads and bridges, silviculture, and other management requirements. Revenue in excess of funds required for current expenditures and future silviculture obligations is returned on an annual basis to the province's general fund. Revenue for 1988/89 was $134.5 million (stumpage billed, accrued billings, and annual fees and billings), actual expenditures were $46.5 million and future silviculture obligations were $31.6 million.

As of October 31st, 1990 the numbers of registrants in the SBFEP in the two categories were as follows:

Category I	2,261;
Category II	508

Assessment of effectiveness: An overview

To consider the overall effectiveness of the SBFEP I have attempted to evaluate in general terms where the program is now in relation to the stated objectives. Whether or not the objectives should be altered will be dealt with in a subsequent portion of the report.

a. Has the SBFEP *"through competitive timber sales provided an opportunity for individuals and firms to enter the forest industry and establish new businesses"?* Over the years many new businesses have undoubtedly been created by the SBFEP - some in logging, some in sawmilling and some in the value added sector. In addition, there are many support operations derived from the SBFEP such as silviculture firms, trucking firms, forest consulting firms, etc. To consider this question one has to recognize the one basic and stark fact facing the forest industry - "There is not enough timber to satisfy the demand or the capacity to process it." The ability to encourage new firms to enter the forest industry is limited by this fact and one which leads me to the conclusion that this objective, while still supportable, should be refined to recognize that new firms may not be desirable if they can only be created at the expense of existing firms. Firms and individuals come and go within the SBFEP and this is how it should be in a competitive environment. However, there is some doubt that "new" jobs are being created because the supply of timber determines directly the amount of logging and sawmilling which can take place. The area where new firms and employment may best be created is in the valued-added area and this will be discussed in more detail later in the report.

b. The second objective being *"Timber will be sold to promote and stimulate the production of specialty and high value forest products"*, has with the introduction of Sec 16.1 of the *Forest Act* become one of the major objectives of the SBFEP. Until the advent of the Bid Proposal Sales this objective was, in my opinion, not well fulfilled. There is great debate at present on the wisdom and methodology of the Section 16.1 sales, although almost all agree that the objectives should be pursued. How effective the sales will be in meeting this objective cannot be determined at this point in time as the program is still in its infancy.

c. The third objective being *"The marketing of timber through a competitive process to ensure that the most efficient firms are awarded timber sales and the province receives a fair rate of return for the forest resource"* is another topic on which there is little consensus. The Major Licensees claim that they are obviously the most efficient firms and if efficiency is the objective then timber sales to small sawmills should be abolished. This would be a somewhat compelling argument if efficiency in sawmilling was the only objective, but an argument which in my opinion is outweighed by the contribution that small sawmills play in many small communities throughout the province. Obviously the word "efficiency" as used in this objective means efficiency within the area of one's field of operation - be it logging, specialty sawing, dimension lumber production, remanufacturing, etc. The fact that almost all SBFEP timber is sold by competitive sale no doubt contributes to and encourages efficiency in all areas of the program.

Does the province receive a fair rate of return from SBFEP sales? Many argue that on Category I sales the province receives more than a fair return as the ability of the Major Licensees to pay high prices for incremental wood drives the prices paid on the sales, by way of bonus bids, beyond a "normal" market price. This is a complicated question which I am sure can prompt a lively debate between economists. The system is obviously not perfect but given a large number of sales, the sealed bidding process and a reasonable number of bidders, one has to come to the conclusion that the prices paid are "market value". The same principle applies to sales where only Category II registrants can bid although normally there are fewer bidders and somewhat lower prices. On Bid Proposal Sales there are normally no bonus bids and some contend that on these sales the province does not receive a fair return. Supporters of the Bid Proposal Sales argue that the long term social and economic benefits to be expected from a build up of the remanufacturing sector in the province more than makes up for any loss in present revenue.

If one simply looks at the revenue and expenditure statements for the SBFEP one can draw the conclusion that the SBFEP is very successful in providing a financial return to the province. For example for the fiscal year 1988/89 the revenue was $134.5 million and the expenditures were $46.5 million. For the first half of 1990 revenues are down, no doubt due to a general down-turn in the forest industry but a substantial return to the province will still be realized. Over the life of the SBFEP some $500 million has been paid in stumpage from the program.

The rate of return to the province and the expenditures associated with the SBFEP are questions on which there are some differing opinions. Some critics claim that the revenue and expenditure figures are not at all an accurate reflection of the actual receipts and disbursements. On the revenue side it is my opinion that the figures shown are accurate. As for most government programs (including the accounting for revenues received from the Major Licensees) the accounting is done on the accrual basis: Revenue is counted when it is payable (as opposed to received) and expenditure is counted when money is payable (as opposed to spent). I therefore submit that the revenue figures shown in the annual reports of the Ministry are accurate and realistic subject to the amount of bad debt which may be incurred.

Critics say that there is a large bad debt factor which is not shown in the statement. I have obtained from the Forest Service confirmation that at the present time the amount owing which is overdue and attributable to timber sold under the SBFEP is approximately $5.8 million. Some of this will undoubtedly be collected and some will ultimately be written off. This amount is comprised of billings since the SBFEP began over ten years ago. In addition some $2.5 million has been written off leaving the total potential bad debts attributable to the SBFEP at a maximum of $8.3 million. Thus the total potential bad debts is a maximum of 1.8% and the actual figure will in all likelihood be considerably lower. I would suggest that this an admirable record considering the economic swings that the industry is subject to.

The question of expenditures is not as easily answered and there are many suggestions that the figures used are distorted to prop up the profit picture. I do not find any evidence that this is so, although it is virtually impossible to separate every function within each District and Regional office of the Forest Service to designate it to a specific program. Approximately 40% of the staff salaries (and benefits) in Timber Harvesting, Engineering, Protection and Silviculture in the Regional Offices and the 43 District Offices are charged to and paid for by the SBFEP. I cannot estimate the actual proportion for each office but considering that the SBFEP accounts for approximately 12 1/2% of the AAC, and considering that there are many who feel that the SBFEP does not receive adequate attention or priority in the Forest Service, I can only conclude that the expenditure figures are valid. Some of the Major Licensees claim that the SBFEP utilizes roads built by the Major Licensees without compensation and that this distorts the figures. It is my understanding that prior to 1988 the Province paid for all such roads under Section 88 of the *Forest Act*. Since 1988 road building costs have been shared by the Major Licensees and the SBFEP. Section 97 of the *Forest Act* deals with everyone on the same basis - everyone harvesting timber is entitled to use such roads without compensation but everyone must contribute to the actual maintenance costs. On the basis of the the information made available to me I can only conclude that the revenue and expenditures figures are an accurate reflection of the SBFEP's financial performance and that the return to the province is a substantial one.

All in all I conclude that the Ministry of Forests has been quite successful in attaining the objectives set for the SBFEP. However, as alluded to earlier I will be making some suggestions to modify the objectives to reflect changing times.

Entry criteria

What constitutes "small business" is another topic on which there is little agreement and with hindsight it may have been unfortunate that those words were used. A more appropriate name for the program might have been the "Competitive Timber Sales Program". The restrictions on entry to the program effectively prohibit the Major Licensees but there is otherwise no restriction on the size of a registrant. To some the definition of "small business" is in effect "a person or firm with an operation the same size or smaller than mine." To a logger with only a skidder, a logging contractor with a $3 million investment in equipment is not small business. Should size be a determining factor? I suggest that it should not. To attempt to restrict entry to the SBFEP on the basis of criteria such as value of equipment, gross income, number of employees , etc. would be arbitrary and an administrative nightmare for the Forest Service. In addition it would be a major disruption to a whole segment of the industry which relies on the SBFEP. The SBFEP does recognize the vast differences between registrants and the system does attempt to accommodate all operators. - e.g. 3 sale maximum, varying sizes of timber sales - sale conditions directed to a specific class (horse loggers, etc.). This system does not work to everyone's satisfaction and it is clear that the success of the system varies from District to District.

At present the basic requirements to be registered in Category I are to have at least one year logging experience, not own or lease a timber processing facility, not own or be a shareholder in a corporation with an AAC of more than 10,000 M3, and not have any shareholder with an AAC of more than 10,000 M3. I have received many suggestions that these requirements should be made more onerous - e.g. more logging experience; minimum equipment investment; no Major Licensee logging contractors allowed. Some of the suggestions may be self-serving but many are made sincerely for the main reason that they feel that new inexperienced loggers often carry on bad logging practices which reflect on the whole program and the industry as a whole. I understand the concerns but feel that it would be a retrogressive step to preclude young people in particular from having an opportunity to get into the logging business. I believe that the bad logging operations have to be addressed but they should be handled through monitoring and enforcement by the Forest Service rather than restriction of entry to the program, and that subject will be dealt with at length later in the report.

The basic requirements for Category II registration are to own or lease a timber processing facility in respect of which no other person is registered, not own or control a corporation having an AAC of more than 10,000 M3, and not be in the control of such a corporation. There appears to be less concern about the entry criteria for Category II although there are two areas of complaint which should be mentioned. The first is the lack of a satisfactory definition for the term "timber processing facility". Some attempts have been made to register with questionable facilities in order to bid on sales and with little capability to actually process any timber. The definition of "timber processing facility" in the Regulations to the *Forest Act* is of little help - "timber processing facility" means a facility that processes (a) timber, wood residue or both, (b) products produced from timber or wood residue or both, or (c) products under both paragraphs (a) and (b).

I realize that a workable definition will be difficult but I suggest that the Forest Service should attempt to re-define the term. It may be that some arbitrary minimum investment should be one of the determining factors.

The second complaint is that some registrants in Category II do not in fact own or lease a timber processing facility and if they win a sale are forced to find someone with a facility to handle the timber. I suspect that this is rare and again is really a matter of lack of enforcement by the Forest Service.

I do not find that any change in entry criteria for Category I or II is required, subject to possible change in the definition of "timber processing facility".

More AAC for the SBFEP?

The wording of the Terms of Reference for this review left some doubt as to whether or not I was to consider an increase or decrease of the overall AAC for the SBFEP. The Major Licensees, fearing a repeat of the 5% take back in 1988, asked the Minister for clarification and the Minister confirmed that the allocation *within* the program was what I was to review. However, as this matter was raised by so many people during the review I believe it is appropriate for me to comment on it. A former Minister of Forests, The Honourable Tom Waterland in 1982 indicated that the goal was to have 25% of the AAC within the SBFEP. Many small business registrants urged that steps be taken to reach that level while the Major Licensees are adamant that that should not happen and complain bitterly about the 5% which they lost in 1988.

It is evident to me that the complex inter-relationships between all segments of the forest industry (loggers, sawmills, pulp mills, small business registrants, remanufacturers, brokers and the Forest Service itself) should be carefully considered prior to any further change in allocation.

Should government embark on such a program I would hope that it would not take place until such time as a comprehensive study and economic analysis had been completed to determine the likely effects on: the industry as a whole, the individual segments of the industry and the contractual arrangements between those segments, the markets, government revenues and expenses, the investment community and most importantly the communities which rely so heavily on the forest industry. Many people are obviously unhappy with the tenure system enjoyed by the Major Licensees but it must be recognized that it was the basis on which the industry as we know it has been founded. A question of this magnitude is beyond the scope of this type of review and is for consideration by bodies such as the British Columbia Forest Resources Commission.

Allocation of AAC within the program

The allocation of AAC within the SBFEP is another issue with very strong vested interest positions. The Chief Forester for the Ministry of Forests determines the AAC for each Timber Supply Area and the Minister allocates such AAC to the various categories or types of sale. In October of 1990 the AAC and the apportionment in cubic metres for the SBFEP was as follows:

Competitive Sales (Section 16)	
Category I	2,933,225
Category II	988,203
Category I or II	1,463,051
Bid Proposal Sales (Section (16.1)	3,507,871
Direct Sales (Section 18)	251,409
Total	**9,143,759**

This accounts for 12 1/2% of the provincial allowable annual cut.

Clearly each category within the SBFEP would like to see a larger portion of the total made available to them. The logging community (and the Major Licensees) would like to see all SBFEP sold under Category I - this would likely be the final death knell for Category II small sawmillers. On the other hand Category II small sawmillers claim that they should be entitled to an equal amount to that sold in Category I. This would clearly be most inappropriate in the majority of the Districts in the province and may not in fact be appropriate within any District.

When one examines specific areas one often discovers particular reasons why supply and demand situations differ from area to area. For example, in the Okanagan Timber Supply Area, where the small sawmill demand is high, there have been changes to the AAC due to mountain pine beetle infestations. Due to this problem the AAC for the TSA was increased by some 500,000 M3 from 1986 to 1988 and was then reduced by a similar amount from 1988 to 1990. As always, it is difficult to accept a decrease even though that decrease simply took the AAC back to where it had been five years previously. Nevertheless, the small sawmillers in the southern interior of the province are adamant that they are not receiving a fair proportion of the allocation. In other areas of the interior, although there are some exceptions, I received fewer complaints from small sawmillers. In discussing the allocation for Category II it must be remembered that separate sales for small sawmillers are held only in the interior of the province and not on the coast (with minor exception). When coastal people speak in terms of Category II sales they are usually referring to Bid Proposal Sales.

I will briefly outline my view as to the allocation for each of the three categories within the SBFEP, and more detail will be included within the segments of this report entitled Small Sawmills - Special Problems, and Bid Proposal Sales and the Remanufacturing Industry:

a. Category I - province wide approximately 48% of the AAC for the SBFEP is sold to Category I registrants or to Category I and Category II registrants. Naturally this varies from TSA to TSA. Any decrease in the AAC for this category will obviously have a negative impact on the logging community and on the major sawmilling segment of the industry. This category represents a significant amount of timber and over the life of the SBFEP the Category I registrants, and the ultimate buyers of the logs, have developed a reliance on this timber. In addition, one must recognize the substantial financial return to the province received directly from these sales. I am not advocating either an increase or a decrease in the AAC for this category.

b. Province wide approximately 11% of the AAC for the SBFEP is sold exclusively to Category II - as stated earlier this is exclusive to the interior of the province. In addition the Category II registrants can bid on the sales which are open to both Category I and II. If there is to be any reallocation within the program then I believe that it should be made in favour of Category II but only in specific areas and only on certain terms and conditions. This question will be dealt with in more detail in the following segment of this report under the heading Small Sawmills - Special Problems.

c. 5% of the AAC withdrawn from the major licensees and which is sold by Bid Proposal Sales pursuant to Section 16.1 of the *Forest Act* represents approximately 38% of the AAC for the SBFEP. Many feel that this in an ill advised venture and have pressed me to recommend that the program be abandoned and that the allocation be sold under Category I or combination of Category I and Category II. As I have stated earlier it is my opinion that it is too early to properly assess the sales and to jettison them at this point in time

would be a mistake. At the same time I believe that the allocation to these sales might be used in part to assist small sawmillers in certain areas and that there should be some refinements to Bid Proposal Sales, all of which will be dealt with in later segments of this report.

I am therefore recommending that there be no substantial changes in the allocation of AAC within the SBFEP.

Small sawmills - Special problems

There is little doubt that in various parts of the province the small sawmills have serious problems due to a lack of wood. Many have already gone out of business and many more will likely do the same unless they receive some help from government. This raises the general question - Should sales to small sawmills be continued? Many submissions from major licensees and loggers suggest not. They claim that these sawmill operators generally are inefficient, pay lower wages, many do not have barkers and chippers, etc. I do not agree that the sales should be abandoned although I do believe that many operators will have to align themselves with the remanufacturing industry if they are to survive. In many small communities, mostly in the interior of the province, the sawmill operators are an integral part of the economic and social fabric of those communities. They do provide employment and they do have the flexibility that the large mills do not have.

Most of the sawmill operators are asking for two major concessions. Firstly, they want a "quota" - a guaranteed supply of timber for at least a portion of their milling capacity. Most suggest 50%. Secondly, they want a re-apportionment of the AAC between Category I and Category II so that each would have an equal amount of timber. I reject both of these propositions. Firstly, almost all of those making submissions claim that the "quota" held by the major licensees is the cause of many of the ills of the forest industry and that sooner or later that system must go. To introduce a quota system in the SBFEP at this point would in my opinion be counter-productive. The Forest Service would have to decide: - who would be entitled to quota, how much would each receive, where would it come from, would new registrants be entitled, would it be sold initially by bid, etc. I believe that this type of system would lead to much criticism of favouritism, discrimination, unfairness and political interference. I believe strongly that the competitive aspect of the SBFEP is vital to the program and to depart from that position would be a mistake.

If not quota, then why not a re-apportionment from Category I? In many Districts it would be entirely out of proportion to have Category I and Category II with an equal AAC and I have earlier stated why AAC should not be taken from Category I.

Although I reject the two main arguments on behalf of the sawmill operators I believe that there are other methods by which they can be assisted. In some areas I believe that they should have more AAC on which to bid. There are various potential sources of AAC - Forest Service Reserve, AAC taken back pursuant to Section 50 of the *Forest Act*, AAC allotted to Section 16.1, increases in AAC due to increases in the growth curve, uplifts due to beetle infestation, etc. I stress that the Forest Service must be responsive to the demands within each individual District as there may be many areas where no reallocation is appropriate.

I suggest that AAC for Bid Proposal Sales might be used to assist small sawmills for two reasons. Firstly, this would be consistent with my later recommendation that the objectives of the SBFEP be re-defined to recognize existing businesses in preference to new entrants. Secondly, some volume could be provided to small sawmills on the condition that they supply some of the lumber from these timber sales to the remanufacturing segment of the industry as per the experimental sales being conducted in the Kamloops Forest District. The special terms of those sales are:

a. A minimum volume must be processed in the sawmill during the term of the sale, either from timber harvested from the sale or timber obtained by trading timber harvested from the sale.

b. A minimum amount of lumber produced from the timber harvested (or traded) must be sold to one or more remanufacturing plants or specialty mills in British Columbia.

c. A minimum amount of lumber produced from the timber harvested (or traded) must be processed through a lumber remanufacturing plant or wood specialty mill owned or leased by a licensee in British Columbia.

Many within the industry believe that if small sawmills are to survive, and I have expressed my opinion that efforts should be made to assist their survival, that a special market niche is what is needed. The small sawmillers cannot compete with major licensees in efficiency when it comes to producing dimension lumber. At the same time the remanufacturers are complaining that they cannot obtain the rough lumber they require from the major licensees. It would therefore be in everyone's best interest if the relationship between small sawmillers and remanufacturers could be strengthened. In order to do this the small sawmillers will require more timber as well as timber sales with a longer term in order that there be more security of supply. The term and size of timber sales for sawmill operators will be dealt with under that heading.

The special sales in the Kamloops District referred to earlier have just been awarded and it is too early to determine how successful they will be. However, I believe that the Ministry is moving in the right

direction with this initiative and that this experiment should be monitored very closely. It may be that the terms and conditions of the sales will require modification and they may have to be tailored specifically for different areas and regions but I believe that this type of sale could become an important part of the 16.1 program.

In connection with small sawmills I am therefore recommending:

a. That the Forest Service provide additional AAC to Category II from those sources previously identified at the discretion of the Minister, and in particular continue to issue special sales pursuant to Section 16.1;

b. That if the provision of more AAC is likely to result in a large increase in small sawmillers registering then a moratorium on registration be considered - this would not apply to registrants who were clearly remanufacturers but would be intended to contain the number of primary breakdown operations at the present level or at near the present level;

c. To provide a better mix of timber sales including sales with longer terms as set out in a subsequent section of this report under the heading Length of Term and Size of Timber Sales.

Quality of timber comparison

Another issue on which there is little consensus is the comparison of timber sold under the SBFEP with timber harvested by the major licensees. A meaningful comparison on a province wide basis is difficult as there are great variations by geographic areas. Many of the major licensees on the Coast claim that the SBFEP receives better quality timber and that the stands of timber are usually located in areas which are easily accessible. In the interior of the province the majority of SBFEP registrants complain that there is a large discrepancy in favour of the major licensees and that far too much of the SBFEP wood consists of salvage operations resulting from bug infestation, blow downs, fires, etc. As with other aspects of the program it appears that the quality may differ substantially between Forest Districts as a result of managerial decisions. Forest Service personnel indicated that some major licensees tend to concentrate on the better wood within their license areas and this will affect the comparison as well.

The Ministry for some time has been using the Value Index of the Ministry's appraisal system to monitor its policy. The Value Index for a stand of timber is calculated as follows:

VALUE INDEX
=
selling price of logs or lumber
MINUS
the operating costs of producing the logs or lumber.

On the basis of the latest figures available it appears that the major licensees are harvesting slightly better timber than the SBFEP. However, the Forest Service is not totally comfortable with the Value Index as firstly not all SBFEP sales were included in the computer files - although this has been recently rectified. And secondly, small SBFEP sales are given a Value Index based on averages derived from volumes harvested by the major licensees which skews the results. I am confident that the Forest Service is working toward a system of quantitative comparison which will be more reliable and that reasonable efforts are being made to achieve the objective. As in most things of this nature there will be exceptions but for the most part I am satisfied that the quality question is under control, and that the Forest Service is attempting to ensure that timber offered under the SBFEP is of a like profile and value to that harvested by the major licensees.

Surrogate bidding

The most common complaint heard during the review is what is referred to as "surrogate bidding". Not every one is in agreement as to what exactly constitutes surrogate bidding but for the purposes of this report I will define it as being that situation where "a registrant in the SBFEP bids on a timber sale as the agent of a major licensee". The principal/agent relationship is of course not disclosed. Most people assume that surrogate bidding is illegal and that nothing is being done by the Forest Service to attempt to eliminate it. In fact, there is nothing in the *Forest Act* or any other legislation of which I am aware which makes surrogate bidding illegal. Assuming for the moment that surrogate bidding should be made illegal the following basic steps would be required:

a. The *Forest Act* would be amended to define exactly what constitutes surrogate bidding to constitute it as an offence, and to provide appropriate penalties for those indulging in this activity.

b. The Forest Service would be required to formulate procedural policy to deal with the subject - e.g. statutory declarations for bidders on each sale, etc.

c. The Forest Service would be required to set up a system of inspection, monitoring and enforcement to apply the legislation.

It is my opinion that any such system would be extremely difficult to enforce and that no matter what steps are taken, those who are bent upon surrogate bidding, will find a way to circumvent the legislation. Although the vast majority of those making submissions to this review took the position that surrogate bidding was bad, none of them could suggest to me a method to stop it that would in fact be effective.

Many suggested that loggers who work under contract to the major licensees be excluded from the SBFEP as a method of curbing surrogate bidding. I

have already outlined under the section on entry criteria why I do not support this proposition and I again reject the proposition in the context of surrogate bidding for the following reasons:

a. Many contract loggers rely on SBFEP as a regular part of their operations and to deny them access, while benefitting others, would seriously impact the logging segment of the economy resulting in layoffs, financial defaults and bankruptcies.

b. On a simple basis of fairness the fact that a logger contracts with a major licensee should not preclude him from other logging pursuits.

c. If contract loggers were denied access to the SBFEP there would undoubtedly arise situations where the contract logger would circumvent the rules by having "nominal registrants" (relatives, friends, etc.) who could meet the entry criteria, bid on the sales on behalf of the contract logger - another surrogate bidding situation would immediately arise.

Some take the position that SBFEP registrants who are also contracted to the major licensees are automatically surrogate bidding as they may feel obliged to sell the logs to that major licensee rather than a competitor in fear of jeopardizing the contractual relationship. It is my opinion that to attempt to interfere with this kind of contractual relationship goes beyond the role the government should play in these matters.

Many suggest that surrogate bidding will effectively be stopped by simply preventing major licensees from providing the deposit money required by the SBFEP registrant when bidding on sales. It would be naive to think that this type of action would in fact stop surrogate bidding - there are many ways in which a major licensee could provide financial assistance to a SBFEP registrant indirectly so that it would be impossible to prove that the "deposit monies" were in fact supplied by the principal and not the agent.

If government should choose to take steps to attempt to curb surrogate bidding it is my opinion that such steps will have little success and that the additional administrative burden to inspect, monitor and enforce will outweigh any potential benefits. It is therefore my recommendation that no changes be made to address the surrogate bidding question.

Open auction versus sealed bids

The majority of those SBFEP registrants with whom I spoke asked that the bidding process for timber sales revert to oral auctions from the present practice of sealed tenders. SBFEP sales were sold by a mix of oral auction and sealed bids until 1988 and the procedure was changed to sealed bids only for two main reasons according to the Forest Service:

a. Many auctions were getting out of hand as tempers were lost and "spite bidding" was evident whereby one bidder would go as high as necessary to ensure that his opponent did not obtain the sale.

b. The Forest Service was finding it necessary to cancel a large number of sales - as many as one per week - after the successful bidder came in to explain how he had become carried away at the auction and could not possibly log the sale at the price he had bid. The Forest Service could have simply refused to cancel the sale but in most instances the bidder would have lost his deposit or tried to log the sale cutting corners and doing a generally bad job of the logging operation. The Forest Service would undoubtedly have been criticized by some if the rules had been strictly enforced.

A third reason in support of sealed bids is related to the surrogate bidding complaint. It is obviously much more difficult for a major licensee to control a sale when sealed bids are used. In an oral auction the major licensee will inevitably win if a determination has been made to get the sale at any price.

I am advised by the Forest Service that the number of cancelled sales due to overbidding has dropped dramatically since the institution of sealed bids.

Despite the clamour for a reversion to open auctions it is my opinion the sealed bid method is more fair overall and should be retained. I suspect that the main reason that so many object to sealed bids is the amount of money between the first and second bid - commonly referred to as the amount "left on the table".

Direct sales

A number of submissions asked that the Forest Service revert to the system of direct sales. At one point in time a logger, contractor or small sawmiller would locate a tract of timber and approach the Forest Service to negotiate to purchase the tract. This system was widespread until the Forest Service clamped down in recent years. This method of sale is still used in some salvage situations where there is bug infested wood, blow-down, fire damaged wood, etc. and where the volumes are small - this is an appropriate use of direct sales and further comment will be made under the heading Salvage Sales. I strongly support the Forest Service position as direct sales run contrary to the planning function, develop an unhealthy reliance and will undoubtedly lead to charges of discrimination and unfairness. If one registrant receives a direct sale then it is difficult to rationalize why all the others should not receive the same.

Salvage sales

Many SBFEP registrants are dissatisfied with the manner in which the Forest Service handles salvage timber within existing licenses. Under the provisions of Section 56.1 of the *Forest Act*, salvage timber which is found within cutting permits held by licensees must be offered first to the holder of the cutting permit. A common complaint was that when a SBFEP registrant identified some salvage timber the Forest Service would notify the licensee and the licensee would usually take the position that they would handle the salvage wood themselves. Often this did not happen with the result that the salvage timber would decay and would be lost. In August of 1990 the Ministry changed its policy to respond to these complaints so that when the Forest Service receives a request from an independent operator to harvest timber on a licensee's permit area the procedure will be as follows:

a. The licensee will receive written notice from the District Manager offering the salvage timber and stating the date by which the timber must be salvaged. The licensee has five days in which to respond in writing.

b. If the licensee responds that he does not want the salvage timber then the District Manager will sell it competitively or if necessary by direct sale.

c. If the licensee response is unsatisfactory then the District Manager advises the licensee that the plan is unsatisfactory and sells it competitively or if necessary by direct sale.

d. If the District Manager does not receive a response from the licensee within five days then the timber will be sold competitively or if necessary by direct sale.

e. If the licensee states its intention to salvage the timber, but fails to make a reasonable effort to salvage the timber by the specified date then the District Manager will notify the licensee in writing that his failure to salvage the timber by the specified date is considered to be a refusal to salvage the timber. Based on this refusal, the District Manager may offer all further salvage timber identified on the license to independent operators without the timber first being offered to the holder of the license.

f. Whether the licensee or an independent operator salvages the timber, the volume of timber will be charged to the licensee's AAC.

This policy is not applauded by all SBFEP registrants as many feel that the major licensees will now harvest the salvage as it will be charged to their AAC anyway and that a usual source of timber for SBFEP registrants will be therefore denied.

Registrants also complained as to the Forest Service handling of salvage sales generally. This again appears to be an administrative problem as the Forest Service does not have the manpower and resources to deal with these matters as quickly as registrants would like. However, as usual there are two sides to the story and the Forest Service points out that in most cases the matter may not be handled by simply drawing a circle on a map and issuing a timber sale. As with all timber sales the Forest Service must be concerned with the other agencies within the referral system - Ministry of Environment - Fish and Wildlife, etc. and that sales can simply not be processed as quickly as registrants would like.

However, because such a large number of those making submissions alluded to the salvage wood problem I am recommending that the Forest Service review the salvage wood policy to determine if in fact there are significant amounts of timber being lost and to determine if the system can be streamlined to assist the independent operators.

Length of term and size of timber sales

The request for longer term timber sales came mainly from small sawmillers. A large number of sales made under Section 16 have a term of one year or less. Sawmill operators explain that short term sales provide little satisfaction to bankers and to the buyers of their products and this is understandable. The Bid Proposal Sales recognize this fact with the average sale being close to five years in duration. I believe that some accommodation in this area should be made on Section 16 sales. For example if a sawmill operator obtained a three year sale for 15,000 M3 this would be preferable to three one year sales of 5,000 M3 each, and the return to the province should be approximately the same. Such sales might have to include a minimum annual harvesting requirement to prevent speculation and to assist the Forest Service in planning for re-stocking, etc.

It is important that a balance in the size and term of sales be the goal for each District. The supply and demand factors will obviously change from District to District and I believe that a better job can be done in some Districts - particularly if the recommendations contained in this report to increase the manpower and resources made available to the SBFEP are implemented.

While many sawmill operators are asking for larger sales with longer terms some sawmill operators and many Category I operators are requesting that there be more smaller sales. On the one hand the larger sales are more efficient for the Forest Service to administer - the amount of planning and administration for a small timber sale is often likely to be the same as for a large sale. On the other hand, larger sales are more likely to attract major licensees by way of surrogate bidding. If a large portion of the SBFEP AAC for a Timber Supply Area is sold by way of a few large sales many of the registrants will obviously suffer. There have been

complaints that in some Districts large sales have been sold due to the fact that the District is behind in the planning function and this is the most expeditious way of selling the timber - I suspect that for some Districts this is true and efforts should be made to correct this situation.

Bid proposal sales and the remanufacturing industry

In the fall of 1989, the Minister of Forests established a committee made up of industry representatives and Forest Service representatives to examine and report on the Bid Proposal Sales. As a result of this my terms of reference specifically exclude "the policies and procedures for Bid Proposal Sales". Despite that exclusion and because so many of the submissions addressed the Bid Proposal question I believe it is worthwhile that this review summarize some of those concerns. As a result of these concerns I also feel compelled to make some general recommendations in relation to this question.

Section 16.1 of the *Forest Act* was enacted in July of 1988 with the express intent to encourage the remanufacturing of lumber and the production of specialty products, or to use the most common terminology - "to encourage value-added manufacturing". My findings are that almost everyone supports the value added goal but there is little consensus on how that goal should be achieved. Some of the main areas of concern are:

a. The major licensees feel that if special sales are to be made available on a value-added basis then those sales should be open to all. At present a major licensee may joint venture on a bid proposal sale provided they do not own more than 49% of the joint venture. Some of the major licensees have expanded into the value added field themselves and take exception to the fact that this is not recognized by government or if it is there is no benefit granted - as there is to a successful bid proposal applicant.

b. There are many who feel that major licensees should be excluded entirely from the Bid Proposal Sales. If the primary goal of the program is to provide opportunities for independent and smaller firms then this position is supportable.

c. Several submissions recommended that a "credit system" should be instituted whereby a sawmill would receive credit of "one kind or another" for lumber supplied to a recognized remanufacturer or specialty producer. No one provided any degree of detail as to how such a credit system could be operated and the Forest Service is extremely hesitant in becoming involved in another program which would require more inspection, monitoring, accounting and general administration.

d. Many of the remanufacturers who do not have sawmills feel that they are virtually forced to bid on Bid Proposal Sales in order to be in a position to trade logs to the major licensees in return for the sawn lumber they require. To them this seems to be a convoluted system, but I have difficulty in finding an acceptable alternative.

e. The common thread in submissions from the remanufacturing sector is that they are unable to purchase the sawn lumber they require and are thus forced to look to the Bid Proposal Sales as an alternative. Most of the major licensees strongly object to this allegation and take the position that they are more than willing to provide the sawn lumber required by the remanufacturers but that the remanufacturers are not prepared to pay the market price. The remanufacturers again counter by stating that the major licensees use "selected market prices" to support this position and would like to get rid of the remanufacturers. I can find no evidence of any conspiracy by the major licensees against the remanufacturers but I am satisfied that in many cases they are not prepared to mill the special sizes required by the remanufacturers due to the small volumes and the fact that they can normally sell all the lumber they produce elsewhere. I am not able to answer the dispute over "market price" and this is one of many matters that deserves further investigation.

f. Many submissions alleged that the Bid Proposal Sales to date have not resulted in a single new plant or any new jobs. That allegation is incorrect as I have viewed several new plants which are in fact in operation. Naturally, most of these operations are in their infancy as the program has only been in place since 1988. It is in my opinion too early to properly assess the success, or lack thereof, of the Bid Proposal Sales. A thorough economic analysis of the Bid Proposal Sales should be undertaken once sufficient time has elapsed. It may well be that a satisfactory study will not be possible until at least some of the sale terms have expired. This raises the question which is foremost in the minds of a great number of people. The average term of the Bid Proposal Sales to date is approximately 5 years and these sales are non-replaceable. Many are concerned that the government will be forced to provide replacement sales as the result of failing to do so may result in plant closures, job losses, bankruptcies, and other economic and social woes. A counter argument is that all of the Bid Proposal winners are acutely aware of the fact that the sales are non-replaceable and that most of them will have developed working arrangements with the major licensees for a supply of sawn lumber and that these arrangements will survive the expiry of the Bid Proposal term. Some consider this to be a naive notion and obviously only time will tell.

g. Many in small communities and/or isolated communities, express the concern that they will not likely receive any benefit from the Bid Proposal Sales due to their size and/ or location. They complain that logs are going from their community to support bid proposal operations located in the major centres; and that their communities suffer as a result.

h. There is a widely held opinion that "new firms" are popular from a political perspective in that they involve new buildings, new machinery and new jobs. However, there are many who dispute the claim of new jobs on the basis that one has to look at the net gain in employment to determine if in fact any new jobs have been created. If a sawmill operation lays off a shift because they are unable to obtain a sufficient supply of logs and if they can show that the logs going to the Bid Proposal operation would have prevented that situation from arising then there may in fact be no gain. This is obviously an oversimplified example but it makes the point that new jobs are a good objective as long as they do not result in the loss of existing jobs. The major licensees are also quick to point out that the wages received in their operations are normally far higher than those paid in the remanufacturing sector.

i. There are many who are suspicious of the Bid Proposal Sales on the basis that they feel the applicant with the most exaggerated value added claim will be successful. On the other hand, I am advised by the Forest Service that the applications are carefully considered and items which are not verifiable are not accepted. In addition, the Minister has the discretion to award the sale on the basis of other factors. It is my opinion that the Minister should have this power and that subjective factors have to be taken in to consideration with the main one being the impact on local communities. For example, the establishment of a new plant in the lower mainland area will not have nearly the impact that opening a new plant in a small community elsewhere in the province would have.

j. Some of the Bid Proposals include primary breakdown facilities as well as remanufacturing facilities. There is a strong feeling that the Bid Proposal Sales should be restricted to remanufacturing only because of the existing over capacity in sawmill facilities in the province. I believe that this is a valid point and should be considered carefully in awarding sales.

There appear to be many unanswered questions relating to the remanufacturing industry and I believe that additional studies and economic analysis of this industry would be useful. Such a study should be undertaken with the objective being to determine how government can best encourage and support the remanufacturing segment of the industry.

In the meantime the Bid Proposal Sales should be continued as before, but there should be more emphasis on assisting smaller communities and providing local employment, and new primary breakdown facilities should not be encouraged. In addition, holders of Bid Proposal sales should be given as much flexibility as possible to trade logs as long as the ultimate goal of remanufacturing is reached. Efforts should be made to restructure the bidding system in such a way that it is not necessary for every Bid Proposal Sale to be awarded by the Minister - there is a perception on the part of some that politics might play a role in some of these decisions, although I have no evidence that that is so.

Deposits and bonding

The Forest Service requires that each SBFEP registrant who obtains a timber sale post a deposit for a percentage of the stumpage to be charged on the sale. Many of the registrants feel that the deposit requirements are too onerous, particularly where a registrant has more than one sale - a registrant cannot have more than three sales at any one time. I do not accept the proposition that the deposit amounts on individual sales are too high as the Forest Service has made me aware of situations where the deposit was not sufficient to repair the damage where a registrant has defaulted. However, I can see merit in the argument that where a registrant has more than one sale that the amount of the deposit be capped at the amount of deposit required for the largest of the sales. For example, if a registrant had three sales with the respective deposits being $20,000, $30,000 and $40,000, then the total deposit required would be $40,000 rather than $90,000. This would be of obvious benefit to the registrant to the tune of $50,000 which he would not have to borrow or he would have this available to him as working capital. This proposed system could have some flaws - if the registrant logged all three sales at once then there may well be insufficient funds on deposit to protect the Forest Service position. Such a system would also impose an extra administrative burden on the Forest Service and if the system is too cumbersome then I would not be in favour of it. If such a system can be administered relatively easily then I would recommend that the Forest Service consider implementing such a change in the deposit policy.

Some submissions contained recommendations that registrants post performance bonds on all timber sales. This could be in addition to or in replacement of the present deposit requirements. The reasoning behind this argument is that it would prevent marginal operators who carry out shoddy logging operations from giving the entire industry a bad reputation. I am not prepared to accept that argument as I feel that a bonding requirement would effectively remove a large segment of the SBFEP registrants as they would simply not be able to meet

bonding specifications. It is my position that the unscrupulous or shoddy operator could and should be handled through enforcement of the existing legislation and policies by the Forest Service.

Stumpage comparisons

Another question on which there is little agreement is the comparison between stumpage paid by major licensees and stumpage paid through the SBFEP. The comparison is a difficult one for various reasons, the main one being that under the SBFEP the government pays the costs for planning, cruising, layout, road construction and silviculture while the major licensees pay for these items themselves. Levies are added to upset stumpage for the most important of these items, but there is little agreement as to whether the adjustment is accurate or not. I received various submissions from major licensees containing calculations alleging that the SBFEP in fact pays a lesser stumpage - interestingly enough some major licensees made submissions acknowledging that the SBFEP stumpage rates might in fact be higher than those paid by the major licensees but rationalizing why this is fair. The stumpage question is one where it is possible to find an example to prove almost any point. On most SBFEP sales (except Bid Proposal Sales) bonus bids are received which is an amount over and above the upset stumpage calculated by the Forest Service. This of course does not really have anything to do with the stumpage comparison questions as it is in fact the major licensees who support the bonus bids as the ultimate purchasers of most of the timber, and it being incremental wood they are prepared to pay additional amounts. To attempt to obtain a definitive answer to the stumpage comparison question goes beyond the scope of this review and I am not convinced that such an exercise would in fact be worthwhile. The Forest Service feels confident that as a general rule the stumpage rates charged are fair to both parties, and notwithstanding the fact that there will always be some exceptions, I am inclined to agree and I am not prepared to make any recommendation on this issue.

Common complaints and miscellaneous problems

The submissions received contained numerous complaints about various aspects of the SBFEP. Some of the most common have already been dealt with under separate headings. I am listing some of the others to bring them to the attention of government as well as to indicate that most of them relate to a lack of enforcement or inconsistency in enforcement.

a. Category II registrants being allowed to register and to bid on sales when they in fact did not own or lease a timber processing facility.

b. Category II registrants securing one or more timber sales containing a requirement that a certain percentage be milled by them but all the logs are sold without any being milled by the registrant.

c. Category I or II registrants who have been suspended for cause being re-registered by way of a surrogate. e.g. the suspended registrant arranges for a friend or relative to register - as long as the main registrant has one year logging experience for Category I or for Category II owns or leases a timber processing facility he may be registered. In the Category II case the suspended registrant transfers or leases his timber processing facility to the surrogate registrant for $1.00.

d. Shoddy logging operations being permitted and appropriate corrective measures not being taken by the Forest Service.

e. Inconsistencies in application of the legislation and policies between Forest Districts

f. Conditions as to the method of logging on a timber sale being changed after the sale is awarded - this is obviously unfair to the unsuccessful bidders.

The Forest Service is well aware that these types of abuses are taking place. In many cases they simply do not have the monitoring or enforcement capacity to deal with them while in some cases the willingness to enforce is lacking.

Forest service administration

The vast majority of those making submissions to the review were either critical of the Forest Service personnel in their District or, more often, the perceived lack of commitment by the Forest Service to the SBFEP. For the most part the Small Business Foresters in the Districts and Regions were praised for their efforts but there was a general consensus that they were overworked, understaffed, and basically forced into what could be described as "crisis management". The requirement for more planning, more communication between Forest Service personnel and program registrants, and more monitoring and enforcement of policies was called for by many - from all segments of the industry. Some complained that in their District the five year plan was not in place - others complained that the majority of the AAC was put out in a few large sales as a small sale takes as much time and effort as a large sale - complaints were made that the Small Business Foresters were usually very young and usually moved on by way of promotion by the time the Forester was beginning to develop a rapport with the registrants and the experience required. In some Districts there is an obvious lack of communication between the Forest Service and the registrants of the SBFEP. This will often result from a lack of manpower but in some cases it is likely a result of a lack of real commitment to the SBFEP by the District Manager.

Inconsistency in the application of the legislation and policies from District to District is a major source

of concern within the SBFEP. Obviously the policy to administer the program must come from Victoria and must be seen to be applied as evenly as possible throughout the 43 Districts. For the most part the policy for the program should be province wide - e.g. advertising requirements for timber sales, procedures for sealed bidding process, etc. There may be other situations where a province wide policy is not appropriate as local factors must be taken into consideration. However, it is important to note that in situations where a regional policy might be appropriate, that policy must still come from Victoria and should not be dealt with on an adhoc basis within the local area.

The one factor which stands out more than any other in this review is the fact that the Forest Service does not have adequate manpower or resources to administer the SBFEP at a level which is satisfactory to the majority of those in the industry - and I reiterate that this feeling is industry wide. The majority of Forest Service personnel with whom I raised this question confirm that they do not have the manpower or resources to operate the program at a level which they feel appropriate.

It is my firm opinion that the SBFEP has to be given a higher priority within the Forest Service to that which it enjoys today. This might be accomplished in various different ways including hiring more foresters, making more use of consultants, and assigning more senior personnel to the program. It may very well be that a combination of steps should be taken to raise the level of administration which is required. To suggest that the size of the bureaucracy be increased in this age of down sizing may not be popular but it is my firm contention that in this case it is essential. I am not going to suggest how many extra employees might be required, which aspects can best be handled by consultants or how the Forest Service might re-assign personnel. I believe that the Forest Service is well equipped to determine how the level of administration can be improved to acceptable levels.

It is my firm belief that the most important recommendation that I can make to government is to make the necessary manpower and resources available to the Forest Service to properly administer the program. The SBFEP is far too important, particularly in view of the overwhelming demand for better forest management, to not have a higher priority.

Some of the submissions maintained that the SBFEP should be removed from the Forest Service and should be operated by a separate crown agency on the basis that a conflict of interest exists. The argument is that the Forest Service is in effect operating as a licensee through the SBFEP and at the same time is the enforcement authority for the major licensees. Although the argument has some merit I have not received any kind of reasonable proof that in fact the Forest Service is favouring the SBFEP over the major licensees - there are more who feel that in fact the Forest Service has a "major mentality" and that if there is favouritism shown it is to the major licensees. I do not see the need to separate the SBFEP from the Forest Service. In my opinion it would establish another level of bureaucracy, add more cost, be even more complicated for the registrants, and would result in little or no benefit. I believe strongly that it is important for the Forest Service to have a "hands-on" position in forestry management. The SBFEP provides an excellent vehicle by which the Forest Service can be involved directly with forest management.

Program objectives - Revised

In paragraph 2.1 I gave an assessment of how effective the SBFEP had been in meeting the objectives of the program. After full consideration of all submissions made to the review and in light of the conclusions, suggestions and recommendations contained herein I have concluded that the objectives of the SBFEP be revised as follows (amendments are in italics):

a. The first objective relating to the establishment of new businesses should be amended to read:

   New Opportunities: through competitive timber sales, the program provides an opportunity for individuals and firms to enter the forest industry and establish new businesses, *provided that the program policies will recognize the need to encourage and sustain existing individuals and firms within the industry.*

b. The second objective relating to value-added uses should be revised as follows:

   Diversification and Employment: timber will be sold to promote and stimulate the production of specialty and high value forest products. *These sales are intended to encourage entry into the forest industry for these purposes only and not for the purposes of establishing further primary breakdown facilities.* Sales, to encourage value-added uses of timber, are expected to lead to further diversification of the forest industry and increased regional employment.

c. The third objective relating to competition and profit, in my opinion does not need revision.

   Competition and Profit: the marketing of timber through a competitive process ensures that the most efficient firms are awarded timber sales and the province receives a fair rate of return for the forest resource.

d. I propose that a fourth objective be added for the program as follows:

   Forest Management: the Forest Service through all aspects of the SBFEP shall promote and encourage improvement in forest management throughout the province.

Program Review

Woodlot Program

History and current status of program

The Woodlot Program as constituted today was created by amendments to the *Forest Act* in 1979. As in the case of the SBFEP the Woodlot Program was a direct result of the Pearse Royal Commission on Forest Resources of 1976. A farm Woodlot Program which was restricted to farmers was already in place and that program was rolled over into the present Woodlot Program.

Through the Woodlot Program the government issues licenses to those who qualify to manage specific Crown forest land - either in conjunction with private land or separately. To qualify to apply for a woodlot license an individual must be a Canadian resident and at least nineteen years of age. Societies, Indian Bands and corporations may also apply provided that no applicant can own, or control a corporation that owns, a timber processing facility. Applicants are also limited to one woodlot license only.

When more than one application is received for the same woodlot the District Manager will decide, considering factors such as: the amount and quality of the private land component; proximity of the applicant to the woodlot; the applicant's knowledge, training and experience in forest management; and the management method proposed. If applications are deemed to be equal then the applicants may be asked to submit lump sum bonus offers to determine the winner.

Each woodlot license has a term of up to 15 years and is replaceable, at the licensee's request, at 5 year intervals.

The objectives of the Woodlot Program are:

a. To increase the amount of private forest land under sustained yield management.

b. To improve the productivity of small crown and private forest land parcels.

c. To increase the opportunities for citizens to be directly involved in small scale forest management opportunities.

To date approximately 460 woodlot licenses have been issued with a total of AAC of approximately 460,000 M3 - 410,000 M3 on crown land and 50,000 M3 on private land. The AAC apportioned to the Woodlot Program is 555,905 M3 or 0.7% of the total AAC.

In 1988 the government commissioned Mr. J.M. (Jack) Bakewell, R.P.F., P. Eng., to conduct a study of the Woodlot Program. Following the receipt of Mr. Bakewell's report, and on the basis of his recommendations, the then Minister of Forests, The Honourable Dave Parker, announced in July of 1989 that the timber volume allocated to the program was being increased to 850,000 M3 to allow for another 450 woodlots; in addition he stated that there would be expanded extension services provided by the Forest Service to Woodlot Licensees.

The proposed expansion of the Woodlot Program has not in fact taken place. It is my understanding from discussions with Forest Service personnel that the proposed expansion did not go forward for the the simple fact the Forest Service was not provided with the necessary increase in manpower and resources to carry out the expansion.

This review is required to once again make recommendations to the Minister as to whether the AAC for the Woodlot Program should be increased and secondly, how to best provide extension services to the Woodlot Licensees. I intend to confine my recommendations to those two basic questions but I will also comment on other aspects of the Woodlot Program as many of the submissions received raised additional questions.

Woodlot program - Expansion or Not?

Following two months of extensive meetings and after reading all the written submissions it became clear that there are few issues within the forest industry on which there is any consensus. The closest thing to unanimity is the feeling that the Woodlot Program is a good program and that it should be expanded.

The forest industry is clearly under siege on the question of forest management. The popular topics such as clearcutting, overcutting, pollution, and land claims all lead to a public outcry for better forest management. The Woodlot Program is seen by many as one of the key methods by which better forest management might be achieved - individuals becoming involved in forestry, improved public relations, sensitive areas being harvested which might otherwise be off limits to logging totally. I therefore have no reservation in recommending that the Woodlot Program be expanded. However, there are certain things which are required before such an expansion takes place:

a. The Forest Service must be provided with the manpower and resources required to handle an expansion of the program. I do not believe that the Forest Service at present has the manpower or resources to properly manage the existing program let alone an expanded program. As in the case of the SBFEP I am suggesting three possible avenues (or a combination thereof) by which the manpower and resources might be provided. Additional foresters and support staff could be hired by the Forest Service, existing personnel within the Forest

Service could be reassigned, and the use of outside consultants could be increased. I believe that consultants could be most useful in the extension services field and to a more limited degree in the planning, monitoring and enforcement areas. As it is the Forest Service which must maintain close overall control of the program, I suspect that additional staff will have to be hired with the increase in staff being dependent upon the rate of expansion.

b. If there are policy changes to be made in the policy for the program, and some will be recommended in this report, then those policy changes should be made prior to expansion of the program.

c. There have been indications that some of the early woodlots which were issued were flawed and this would be an appropriate time to make any adjustments required in those licenses.

I do not believe that the information is available for me to suggest the rate at which expansion should take place. Expansion should be based on many factors such as:

a. Where will the expansion take place - it would be inappropriate to simply have each Forest District double the number of woodlots. Some Districts will lend themselves to expansion more readily than others.

b. What is the demand in each District?

c. Are the applicants acceptable?

In each District the Forest Service should prepare an assessment which would examine the state of the program as it now exists within the District, measure the demand for additional licenses, inventory the land which might be made available for woodlot licenses and estimate the amount of expansion deemed reasonable over the next five year period. They must then assess the manpower and resource requirements for the proposed expansion.

Once the aforesaid assessment has been completed and the commitment for the required manpower and resources made by government then, and only then should the expansion take place. It is my strong opinion that the government cannot afford not to make the investment required to ensure the continuation and growth of this most important program.

Woodlot program AAC

Having recommended that the Woodlot Program be expanded the next question to be answered is where the AAC for such expansion should come from. As it is not likely in the short run that the AAC for the province can be increased, any allocation of AAC to a specific program must be at the expense of some other program or licensee.

The amount of AAC required to expand the Woodlot Program in the short run is a relatively small amount and it may be that the AAC can be obtained from various different sources without having any serious impact on any other program or licensee. The availability of AAC will naturally vary from District to District but I suggest the following sources be looked at as containing potential AAC for the expansion:

a. The Forest Service Reserve - this will vary dramatically from District to District and in many Districts the Forest Service Reserve will already be committed. In some Districts it should provide a source of the AAC required;

b. Under Section 50 of the *Forest Act* a portion of a Major Licensee's AAC is taken back when there is a change in control or a transfer of a license and this is another potential source of AAC for the Woodlot Program;

c. AAC reverts from major forest license holders also in undercut situations and this wood could be considered for the Woodlot Program;

d. AAC which might come available as a result of changes in the growth curve;

e. If the following sources are not available in a District where woodlot expansion is desirable then the AAC may have to come from the SBFEP and if that is necessary I would suggest that it come from Category I.

Extension services to woodlot licensees

To begin with, there is some confusion as to what is actually included in the definition of "Extension Services". The brochure provided by the Forest Service on the Woodlot Program states that the Forest Service "shall provide advice and staff assistance at the request of an applicant or a licensee, for the:

a. Application for a woodlot license;

b. Preparation of a management and working plan;

c. Preparation of a pre-harvest silvicultural prescription;

d. Application for a cutting permit;

e. Preparation of annual reports;

f. Planning of inventories and re-inventories;

g. Planning of operational cruising and layout;

h. Harvesting plans;

i Basic and intensive silviculture plans;

j Fire and pest management plan."

The brochure goes on to provide that "these services will be provided during:

a. Woodlot License Association meetings;

b. Licensee visits to BCFS offices;

c. Regular inspection visits of woodlot licenses.

The basis of the extension services function is to provide education and training to the licensees to assist them in developing a basic understanding of accepted forest management principles with the ultimate aim being to increase the productivity of the forest land being managed by them.

Three possible alternatives were suggested in the submissions as to the method of providing extension services:

a. The Forest Service provide *all* extension services;

b. All extension services be provided entirely by private consultants and/or woodlot associations or other such bodies;

c. A combination of (a) and (b).

The vast majority favour a combination whereby the Forest Service and the private sector provide the extension service necessary. This clearly makes sense as there are functions which obviously must be retained by the Forest Service and others which can be more effectively provided in the private sector. For example, the "planning functions" relating to such matters as suitability of sites and areas, suitability of applicants, approval of working plans, and the responsibility for enforcement should remain with the Forest Service. These might be referred to as "administrative functions". I think it is appropriate for the Forest Service to also provide a basic written guide setting out what is expected of licensees and spelling out in some detail who is responsible for what. There should also be regular contact between Forest Service personnel and woodlot licensees and for the sake of efficiency this can often be done in groups.

The "management functions" dealing with such matters as cruising, layout, logging plans, harvesting, marketing, and silviculture should be provided by the licensee or consultants hired by the licensee. The Forest Service should provide the information for the licensee to learn how to manage his woodlot but the actual management must be the responsibility of the licensee.

The Federation of Woodlot Associations many of the individual associations, and many individual members have expressed a willingness to be involved in providing extension services. Some suggested that consultants approved by the Forest Service be hired by woodlot associations or other woodlot license groups for the express purpose of providing extension services. Most feel that the cost of such consultants should some how be shared between the licensees and the Forest Service.

I believe that the Forest Service is well equipped to design a system for the delivery of extension services which would keep the Forest Service administration to a minimum and be satisfactory to the licensees. This policy should be developed in consultation with the Federation of Woodlot Associations, and any other interested groups. Government should therefore provide the Forest Service with the assistance required to put such a policy in place.

Revenue v. expenditures

Although I believe that the cost to government of delivering the Woodlot Program should not be the determining factor it must be considered. If one considers only the direct revenues received by government and the cost of administering the program, the Woodlot Program does not fare nearly as well as the SBFEP. The stumpage billed to woodlot licensees has been steadily increasing over the life of the program. For the first ten months of 1990 the stumpage billed was approximately $2.5 million. The total in 1989 was approximately $1.9 million. The cost to add an extension service forester at the District level including salary, benefits, vehicle and estimated expenses is approximately $80,000 per annum. Depending upon the increase in staff, consultant's fees, and other incidental costs there will obviously be a limit beyond which the government is unlikely to go. However, the indirect benefits which can be expected from the Woodlot Program must also be considered - local employment and the spin off effects of that employment, potential public relations benefits, the involvement of individuals in forest management, and a general improvement in forest management. I feel confident that the program can be steadily expanded within acceptable cost levels.

The woodlot program and non-productive forest lands

A few contributors to the review have suggested that forest growing lands, which are presently non-producing should not be ignored, in what should be a policy aimed at increasing the AAC. Such lands include NSR Land (Non Satisfactorily Re-stocked Land) and abandoned or non-productive agricultural land.

There are thousands of acres of lands in the four northern land regions which were logged pursuant to the Agricultural Lease Program of the Ministry of Crown Lands. The writer conducted a public inquiry into this program in 1989 and the government has now modified the policy for that program which will hopefully eliminate the abuses which were taking place. However, the fact remains that there is a large inventory of good forest producing land which is growing neither agricultural products nor trees. I suggest that the Forest Service in conjunction with the Ministry of Crown Lands explore methods by which these lands could be brought back into forest production. It is possible that some of these lands could form the private land component of a Woodlot License - naturally some accommodation would have to be made to the licensee to contribute to the cost of re-planting. This could be a complicated program and it may be that the Woodlot Program is not the appropriate vehicle by which to deal with the

problem, but if nothing is done to attempt to reactivate these lands an important source of AAC for the future will be lost.

Miscellaneous matters

a. Size of Woodlots - Many submissions drew attention to the fact that the policy for the Woodlot Program included a maximum area size of 400 hectares. The point was made that 400 hectares of prime forest land on the coast would provide far greater volumes than 400 hectare sites in the interior. Many argued that the size of woodlots should be increased overall in order that they be of a sufficient size to support a family unit. This is a basic philosophical question which goes beyond the Terms of Reference but I suspect that the majority feel that woodlots should not be designed as a sole support system but that the main object is good forest management together with a provision of an additional income source. It may be wise to consider a minimum annual volume as some early woodlots with very small volumes have not proved successful. Minimums have been suggested starting at 400 - 500 M3 per year. The majority feel that 400 hectares is acceptable provided that the area is predominantly commercially productive forest land.

b. License Status - The *Forest Act* provides that a woodlot license has the same requirements as a major licensee. The majority of woodlot operators expressed their concern that the requirements were too onerous for the size of units and this opinion was shared by a substantial number of Forest Service personnel. I believe that the Forest Service should consider creating a special category for the woodlot license with a view to streamlining the regulatory process to make the process more simple for both the licensee and the Forest Service. An improvement in this area could reduce costs for both the licensee and the Forest Service.

c. Enforcement - The Forest Service should have the means to cancel a woodlot license in cases where the licensee is in breach of the license terms. There is not an adequate provision for this in the present legislation.

d. Stumpage - many licensees feel that the stumpage charged on woodlot licenses is too high. However, an adjustment was made in January of 1990 to reduce the amount of stumpage paid to recognize the differences in economies of scale. I doubt that any further adjustment in stumpage is required.

Appendix 1

Terms of reference

Program review: Small Business Forest Enterprise Program and Woodlot Program

The Small Business Forest Enterprise Program and Woodlot Program are managed by the Ministry of Forests.

From time-to-time an independent review of every program is useful and valuable to the government. Reviews provide senior management with independent advice and recommendations. This leads to better programs in the future.

Terms of reference

For the Small Business Forest Enterprise Program:

1. Review, evaluate and make recommendations on:
   - the overall effectiveness of the Program; and
   - the appropriateness of the apportionment of the Program's allowable annual cut;

   in achieving the objectives of the Small Business Forest Enterprise Program.
2. Review, evaluate and, if warranted, recommend changes to the objectives of the Small Business Forest Enterprise Program.
3. Review and compare the quality of timber sold under the Program with the timber harvested by major licensees.
4. Investigate and make recommendations on any other matter related to the Small Business Forest Enterprise Program, except the policies and procedures for Bid Proposal Sales. A Committee is examining this area and will report to the Minister in the near future.

More information on the Small Business Forest Enterprise Program is attached.

For the Woodlot Program:

1. Review, evaluate and make recommendations on:
   - the allowable annual cut and whether it should be increased.
2. Review, evaluate and make recommendations on:
   - extension services to woodlot licenses and how such a service can most effectively be implemented.

More information on the Woodlot Program is attached.

Time frame

The review will be completed within 60 days.

Submissions / meetings

The person undertaking the review will not be expected to hold formal meetings, but will receive submissions from small business firms and individuals.

Report

The person will provide the Minister of Forests with a report summarizing the review and recommendations.

Small Business Forest Enterprise Program

Through the Small Business Forest Enterprise Program, the government sells Crown timber to qualified individuals and corporation.

The objectives for the Program are:

New Opportunities: Through competitive timbers sales, the program provides an opportunity for individuals and firms to enter the forest industry and establish new businesses.

Diversification and Employment: Timber will be sold to promote and stimulate the production of specialty and high-valued forest products. Sales, to encourage value-added uses of timber, are expected to lead to further diversification of the forest industry and increased regional employment.

Competition and Profit: The marketing of timber through a competitive process ensures that the most efficient firms are awarded timber sales and the province receives a fair rate of return for the forest resource.

To achieve the objectives, timber is sold in three ways:

Competitive Sales (Sec 16 of the *Forest Act*): These sales are sold to the highest bidder. A lower limit price, called the upset price, is established and interested parties then tender an additional amount, called the bonus bid. The bidder with the highest bonus bid is awarded the sale. These sales are usually for a term of one or two years.

There are three main types of competitive sales:

Category 1: Only persons who are registered in category 1 can bid on the sale. To register in category 1, a person *must not* own or lease a timber processing facility. Competition for the timber is thereby restricted to market loggers.

Category 2: Only persons who are registered in category 2 can bid on the sale. To register in category 2, a person *must* own or lease a timber processing facility. Competition is thereby restricted to small sawmillers.

Category 1 or 2: Any persons registered in either category can bid on the sale.

Bid Proposal Sales (Sec. 16.1 of the *Forest Act*): These sales are awarded to the firm which submits the best proposal. Proposals are evaluated to determine the value-added for the applicant's manufacturing facility. The sale is awarded to the applicant with the best combination of bonus bid and value-added. These sales have terms ranging from two to ten years.

Direct Sales (Sec. 18 of the *Forest Act*): These sales are directly awarded for emergency situations, small volumes and small "quota" sales. These sales usually have short terms.

The provincial allowable annual cut and apportionment for the SBFEP is:

SBFEP:	
Competitive Sales (Section 16)	
Category I	2,933,225
Category II	988,203
Category 1 or II	1,463,051
Bid Proposal Sales (Section 16.1)	3,507,871
Direct Sales (Section 18)	251,409
Total	**9,143,759**

There are unique allowable annual cuts and apportionments for each Timber Supply Area in the province.

The SBFEP accounts for 12 percent of the provincial allowable annual cut.

Woodlot Program

Through the Woodlot Program, the government enters into agreements with qualified individuals to manage Crown and private land as a single forest management unit.

The objectives of the Program are:

- to increase the amount of private forest land under sustained yield management.
- to improve the productivity of small Crown and private forest land parcels.
- to increase the opportunities for citizens to be directly involved in small-scale forest management opportunities.

The allowable annual cut apportioned to the Woodlot Program is 555,905 M3 (0.7% of total AAC). About 460 Woodlot Licenses have been issued with a total AAC of about 460,000 M3 (410,000 M3 AAC on Crown land; 50,000 M3 AAC on private land).

A review of the Woodlot Program was completed in May, 1988, by Jack Bakewell, R.P.F., P. Eng. Some of the appropriate recommendations were implemented. Implementation of program expansion and extension services is still outstanding.

Appendix 2

List of contributors of written submissions

Holbrook Dyson Logging Ltd.
Gerald D. Cook
E. Gim
Kelly Williams
Grant Gunn
Kootenay Lake Woodlot Association (Dick Brenton)
Dave R. Landry (Landwood Resources)
Dale Miller Logging Ltd.
Western Forest Products Limited
Tom Hopps
Grizzly Mountain Lumber
Nicola Valley Indian Development Corp.
Bruce F. Beech
Canadian Forest Products Ltd. (Prince George)
Independent Timber Marketing Association
Frame Logging Ltd.
W.G. Penner
North Coast Woodlot Association
Huock Resource Consultants Ltd.
Klaus Posselt
Patrick Soles Lumber Ltd.
Prince George Woodlot Asociation
Bella Coola Small Logging Operators Assoc.
Shamrock Silviculture Services
Fred Marshall
Houston and District Chamber of Commerce
Ken Greenall Contracting Ltd.
McFarland Cascade Pole Ltd.
Northwood Pulp and Timber Limited
Prince George Precut Limited
Kenda Graham
Dean Foisy
James Westgate
Weyerhaeuser Canada Ltd. (Kamloops)
Gene Sapp
John B. Braisher
Westar Timber Ltd.
R.A. Gorley
Murray La Brush
David R. Sussums
Bruce McLean
P.N. Stuyt
Randall Rodger
James R. Syme
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Interior Logging Assoc.
Ocean Access Timber Ltd.
David Meehan
George Delisle
L & C Forest Dev.
Frank Schlichting
North Arm Contracting
Paul Emmons
Canwood Furniture Factory Inc.
Wayne Drury
Lakeland Mills Ltd.
Kenneth, Kathy & Howard Linde
David S. Clarke
Bear Lumber Ltd.
Canadian Forest Products Ltd. (Vancouver)
L. Matthews
Carl & Pamela Sjoden
Hilmoe Forest Products Ltd.
Condale Industries Ltd.
Cannady Sawmill
Northwind Logging Ltd.
McDonald Ranch & Lumber Ltd.
E.O. Graffunder
Federated Cooperatives Limited (Canoe)
Edwell Holdings Ltd.
Kamloops Woodlot Education Society
Laurie Rustad
Stuart Nechako Woodlot Association
Cathy Harris (on behalf of Bill Cowan)
Mr. and Mrs. B. Shaw (Bear Creek Ranch)
Chilancoh Ranch (T.L. Bayliff)
Mardis Logging Co. Ltd.
Tolko Industries Ltd. (Heffley Creek)
Westbank Indian Council
South Island Woodlot Association
James A. Goodwin
Bracewells Sawmill (Alex Bracewell)
Squaw Valley Ranch (Art and Mona Chambers)
Alex Hartford
Peter Mason
Len Bawtree
Charles Lopez
Sheraton Custom Milling Ltd.
Kelle Bros. Auto Ltd.
Director Interior Woodlot Operators Assoc.
Queen Charlotte Islands Independent Forestry Association
Triple Creek Ranch (Ron Fowler)
Mike Sawchuk
Walter Rushworth
Tony Bennett
Lorenz Bayer
Ray Uttke

List of contributors of written submissions

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Oyama Forest Products Inc.
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Cariboo Mountain Outfitters
Brian Fossum (Logging)
Jay Springs Ranch
Aquafor Consulting Limited
Edwin M. Crouse
Wayne Sawchuk
Salle Ranch (Ed Salle)
Foothills Woodlot Association
Peace River Woodlot Association
C.F. McCarthy
Riverside Ranch
Wesley Dalibor
Ralph Sapp
H.B. Thompson
Critical Site Logging Inc.
Roy I. Arnold
Ormond Braisher
Terminal Forest Products Ltd. Smoody Logging (Jeff Smoody)
Irene Ness
Thomson Bros. Lumber Co. Ltd.
Gilham Poling Ltd.
Graham Sawmill (Sam & Arlene Jeppesen)
H.M. Anderson
Sven Bourgh
R.W. Saunders & Sons Ltd.
Ridley Wilson
Duncan Morris
Vanderhoof Specialty Wood Products
David Cruickshank
Arrowsmith Loggers Association
Corporation of the Village of Clinton
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Raven Lumber Ltd.
Darfield Building Products Inc.
The Truck Loggers Association
MacMillan Bloedel
Western Forest Products Limited
Wedeene River Contracting Company Ltd.
Interior Lumber Manufacturers' Association
MacKenzie Forest Management Group
Federation of BC Woodlot Associations
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Vanderhoof Forest District
Lloyd Lepetich
Paul S. Knowles - Kispiox Forest District
Bruce McKerricher - Campbell River Forest District
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Canadian Woodworks Ltd.
Jim Sallenbach
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